

SUBJECT: Tax exemption for motion-picture production items

COMMITTEE: Ways and Means: committee substitute recommended

VOTE: 9 ayes--Hury, A. Luna, Hollowell, Berlanga, Craddick,
Heflin, Schlueter, Seidlits, Wilson

1 nay--Wolens

3 absent--Morales, Stiles, Williamson

WITNESSES: For--Karol Rice, Motion Picture Producers of Texas,
Angelo Zottarelli, Motion Picture Association of
America

Against--None

DIGEST: CSHB 981 would exempt from the sales and use tax
items used by a motion picture company to produce a
motion picture master print. The exemption would apply
if the motion picture were intended for television,
theatrical, commercial, advertising, publicity,
training or educational use. Only the material, labor
and other expenses directly related to the production
of the finished master would be exempted.

SUPPORTERS SAY: CSHB 981 would help keep Texas a serious competitor
for the lucrative movie production market that has
grown outside Hollywood. A whopping \$12 billion is
spent annually across the nation in the production of
films and television programs. Florida has captured a
major chunk of the market by providing attractive tax
incentives that have led to the opening of three major
studios there. Eight states provide production
companies with incentives that include rebates, tax
breaks and low-interest loans. This bill would ensure
that Texas can remain competitive with these states in
attracting its share of the movie market.

Many film production services are already exempt, and
no significant revenue loss would arise from this new
exemption, according to the Legislative Budget Office
and the comptroller. The bill would narrowly extend
the exemption to cover equipment and material. Now,
the sales tax on these items creates a disincentive to
purchasing these production items here.

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The tax exemption need not be extended to post-production expenses. Most post-production companies are already established here, so no incentive luring them to the state is necessary. If necessary, these expenses could be included later.

OPPONENTS
SAY:

The fact that so many recent movies have been made in Texas indicates that the wide variety of natural scenery and climate that the state has to offer, along with experienced work crews and other factors, have already drawn the movie industry to Texas. The Texas Film Commission, now part of the Department of Commerce, has long been devoted to encouraging movie companies to film in the state and helping them once they get here. This would just be another example of using special tax breaks to attract businesses that would come here anyway.

OTHER
OPPONENTS
SAY:

To make the package complete, the tax exemption should include post-production expenses, such as editing and sound overlays added after the filming portion of making a film is completed. While post-production is not as glamorous or high-profile as the actual filming, this part of the movie-making business can also generate jobs and business for the state.

NOTES:

The committee substitute to HB 981 added provisions clarifying that only the items involved in the production of the master copy of a film would be exempt. It also more narrowly defined a motion picture production company.

The companion bill, SB 780 by Harris, is scheduled for a public hearing in the Senate Finance Committee on May 1. It is identical to HB 981 as introduced.